



SPOTLIGHT ON BDO'S SERVICES: Specialized Capabilities for Endowments and Foundations

Endowments and foundations have unique investment needs. Aside from having to earn a competitive return, most endowments and foundations are set up to exist in perpetuity — meaning they must be able to support and sustain ongoing spending needs forever. Achieving this mandate not only requires strong investment results — it makes good governance a necessity.

BDO Wealth Advisors has deep experience helping E&F clients achieve their investment goals and establish policies and procedures to keep them on track. BDO expanded its capabilities for E&F clients through our acquisition of Lowery Asset Consulting in 2021.

Here, we describe some of the key challenges faced by E&Fs and how BDO Wealth Advisors helps to serve this client segment.

KEY CHALLENGES FACED BY E&FS

The investment committees of E&Fs face a variety of challenges, including:

Outpacing spending and inflation rates:

Endowments and foundations must earn long-term returns greater than their spending rate plus inflation. In the current environment, this need is more challenging, as expected rates of return have dropped across many asset classes. E&Fs must consider which asset classes and specific investments will allow them to meet their return hurdles. For many E&Fs, private asset classes like private equity, private credit, and real estate have been instrumental because of their potential for strong risk-adjusted returns that are more insulated from broader market volatility.



Ensuring investment policy consistency:

Every endowment and foundation needs to establish an investment policy that is tailored for its unique goals, spending needs, and structure. An investment policy should provide helpful guardrails to guide decision-making and should be built to withstand volatile market environments and limit the potential for rash decisions. For example, establishing specific asset allocation ranges regardless of market swings can provide helpful guardrails against trying to time the market, which could be damaging to the long-term health of the fund.



Addressing mission- and ESG-related priorities:

Many endowments and foundations must customize their approach to align with their organization's mission. For example, if a foundation has a central mission to promote social equality, these objectives will shape an endowment's eligible investment policy and procedures. In addition, environmental, social, and governance (ESG) issues are a major focus area for many funds and must be factored into their investment policy and approach. This again highlights the need for strong research and analytical capabilities.



BDO WEALTH ADVISORS, LLC

HOW BDO HELPS E&FS MEET THEIR NEEDS

Endowments and foundations can benefit from the counsel of a knowledgeable advisor with experience addressing these key challenges. BDO Wealth Advisors supports E&Fs in a number of ways, including:

Investment policy statement (IPS) guidance:

BDO's experience includes the ability to guide E&Fs in the creation of a formal IPS. We help E&Fs establish an IPS that has the flexibility to meet their long-term spending needs and help to stress-test the IPS, including testing asset allocation ranges and potential investment outcomes in a variety of market scenarios. BDO Wealth Advisors has deep experience advising E&F clients in areas like spending policy and asset allocation to help build an approach that fits their organization's unique needs.



Portfolio aggregation and exposure reporting:

E&Fs often have complex portfolios, and it can be difficult to understand how all the pieces of a multifaceted investment portfolio fit together. This can be especially true when allocating to many external managers, including those in private asset classes like private equity and real estate. By aggregating portfolio data and providing comprehensive reporting, we help our clients analyze and assess their investments, monitor and evaluate underlying investment managers, and ensure their investments are in line with their long-term goals.



Independence, education, and guidance:

BDO's advisors are fiduciaries who bring objective advice for the benefit of our clients. As fiduciaries, we are required to put our clients' interests first — regardless of whether we are evaluating an external manager or structuring our fees. This means that we always strive to provide market-informed judgment and aren't distracted by any incentive to offer in-house proprietary investment products. We believe our clients should have all the information they need to understand and evaluate their portfolios. We regularly provide education for investment committee members to help them make investment and spending policy-related decisions, and we advise clients on emerging market trends, strategies, and opportunities.



Regardless of the details or nuances of a particular endowment or foundation, BDO Wealth Advisors has relevant knowledge and experience to provide value-added guidance. To learn more about how BDO Wealth Advisors can help you meet your investment and broader financial goals, please don't hesitate to contact us by visiting www.bdo.com/wealthadvisors or reach us by email at wealthinfo@bdowealth.com

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At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes — for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

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